

VZCZCXRO6904  
PP RUEHBC RUEHDA RUEHDH RUEHKUK  
DE RUEHGB #0186/01 0251329  
ZNR UUUUU ZZH  
P 251329Z JAN 10  
FM AMEMBASSY BAGHDAD  
TO RUEHC/SECSTATE WASHDC PRIORITY 6276  
INFO RUCNRAQ/IRAQ COLLECTIVE PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 BAGHDAD 000186

SENSITIVE  
SIPDIS

E.O. 12958: N/A  
TAGS: [EAID](#) [EFIN](#) [ECON](#) [IZ](#)  
SUBJECT: BAGHDAD: WORLD BANK MAY SCALE UP IRAQ PRESENCE

REF: REF: 2009 BAGHDAD 3112

11. (SBU) SUMMARY: World Bank Vice President for the Middle East and North Africa Shamshad Akhtar told GOI officials and international donors January 16-19 that the World Bank would seriously consider increasing its presence in Iraq. Specific programmatic and staff increases would depend on the security situation and the availability of funds, said Akhtar, adding that World Bank President Robert Zoellick would be approaching Bank board members for support soon. Akhtar also said the Bank's board would be ready to vote on a possible \$500 million Development Policy Loan (DPL) for Iraq as soon as February 9, if the GOI passes its 2010 budget by the end of January. Akhtar agreed that the World Bank and the United Nations were uniquely placed to offer Iraq technical assistance. She promised that high-level World Bank officials would conduct more frequent temporary missions to Iraq until the permanent staffing pattern is worked out. END SUMMARY.

#### FIRST FACT-FINDING TOUR TO IRAQ

12. (SBU) World Bank Vice President Shamshad Akhtar postponed her first trip to Iraq scheduled for December 9-10 due to security concerns after the December 8 bombings. After pressure from several donors, she rescheduled her trip for January 16-19, in order to assess the need to augment the World Bank's presence in Iraq and underscore the World Bank's commitment to the country. Her trip included meetings with Deputy Prime Minister Rafe Al-Eissawi; Speaker of the Council of Representatives Ayad Al-Samarraie; the Ministers of Finance, Trade, Education, Municipalities and Public Works, and Electricity; Deputy Governor of the Central Bank; Chairman of the National Investment Commission; donors, bankers, and private entrepreneurs. Akhtar was accompanied by Hedi Larbi, Director of the Middle East Department (based in Beirut), Jean-Michel Happi, Country Manager for Iraq, Jorge Thompson Araujo, Economist, and Christian Shorter of Global Security, who was assessing the security implications of an increase in World Bank personnel.

#### SECURITY AND FUNDING KEY VARIABLES FOR STAFF INCREASES

13. (SBU) Several donors -- including the British, Danes, Italians, UNAMI and the European Union -- repeated coordinated, specific requests to the World Bank to augment its presence in Iraq. Those requests included: assigning a World Bank Country Director and Deputy to Baghdad, hiring local staff for administrative support, and ensuring that all employees working on Iraq are willing to travel to Iraq as needed (reftel). Akhtar reacted positively but said decisions on new staff or programs would have to wait until the Bank conducts a security assessment after the March elections. She also cautioned that the global economic crisis and the Haiti earthquake had put large demands on limited Bank resources, especially for a "middle-income" country like Iraq. Bank President Robert Zoellick would ask board members in March for an increase in overall capital for

the Bank, which if granted, may improve Iraq's chances of tapping into funding for middle-income countries. Zoellick may also ask donors to sponsor specific international-staff positions at the Bank in Baghdad. (NOTE: The UK through DFID is already sponsoring one such position related to private sector development. END NOTE.) Akhtar promised high-level World Bank officials would be visiting Iraq more frequently until the permanent staffing pattern is worked out. She Quntil the permanent staffing pattern is worked out. She noted Zoellick may be considering a trip to Baghdad as well.

#### WORLD BANK HAS ROLE TO PLAY IN DONOR COORDINATION

-----

¶4. (SBU) Akhtar agreed with Ambassador Hill that the World Bank and the United Nations were uniquely placed to offer unbiased technical assistance on a wide range of issues and that both had an important role to play in multi-lateral donor coordination. With no GOI-sanctioned donor-coordination mechanism on the horizon following the International Compact for Iraq, Akhtar said that the donors should at least start coordinating amongst themselves by sector. She said the World Bank would be willing to lead in coordinating assistance on:

- public financial management (they have already assumed the lead of the follow-on to the formerly U.S.-led Public Financial Management Action Group);
- the Public Distribution System and the social safety net;
- private sector development, including help to small and medium enterprises and microfinance; and
- some infrastructure projects including water and electricity (they have just called a technical-level donor coordination meeting on energy issues for January 30).

BAGHDAD 00000186 002 OF 002

Akhtar agreed that donors have a five to ten year window -- before Iraq is likely to realize increased oil revenue -- in which the GOI would be more willing to make reforms, especially if they were tied to specific budgetary assistance. Akhtar said that the World Bank could be particularly helpful by providing training through the World Bank Institute for career-level staff in a variety of ministries.

#### DEVELOPMENT POLICY LOAN

-----

¶5. (SBU) Akhtar said the Bank's Board would be ready to vote on a possible \$500 million Development Policy Loan (DPL) for Iraq as soon as February 9 if the GOI passes its 2010 budget by the end of January. She said the DPL was drawn up in conjunction with the International Monetary Fund's possible \$3.8 billion Stand-by Arrangement for Iraq. She said that although the IMF has liquid resources to offer Iraq and could have provided the additional funds rather than the Bank, it is counting on the World Bank's DPL with Iraq to help realize necessary economic reforms.

#### COMMENT

-----

¶6. (SBU) Close coordination between this mission and other important donors ensured the World Bank received a loud and clear message about the need to increase Iraq programs and the size and level of its Iraq mission. Akhtar's visit, while a fact-finding tour in her first six months in the posting, was also designed to respond, "We have heard you." Akhtar admitted that while she personally supported increased engagement it was going to take some work on her part to bring other parts of the Bank around to this point of view. She also hedged vows of a more robust Bank role by noting constraints posed by security and Bank resources. The GOI is likely to benefit most from the Bank's capacity-building programs in the five years or so before substantial increases in oil revenue come on line. The USG should continue to press the Bank to substantially expand its programs and staff in Iraq in the window of opportunity. Absent a GOI-led donor

coordination mechanism, donor partners will continue to coordinate among themselves and the World Bank should have an active voice in that process.

HILL  
HILL